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Recommendation for Board Action

Austin Housing Finance Corporation	Item ID	12321	Agenda Number	4.
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Meeting Date:	3/8/2012	Department:	Neighborhood and Community Development
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Subject

Approve the negotiation and execution of a loan to the CHESTNUT NEIGHBORHOOD REVITALIZATION CORPORATION, in an amount not to exceed \$1,375,268 to acquire six properties located at 1212, 1301, 1301 ½, 1305 and 1309 Chicon Street and 1807 East 13th Street for a mixed-use development which would include thirty-three (33) attached ownership units to be sold to low- to moderate-income buyers.

Amount and Source of Funding

Funding is available in the Austin Housing Finance Corporation Fiscal Year 2011-2012 Capital and Operating Budgets.

Fiscal Note

A fiscal note is attached.

Purchasing Language:	
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Prior Council Action:	
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For More Information:	Contact Elizabeth A. Spencer, Treasurer, Austin Housing Finance Corporation, 974-3182.
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Boards and Commission Action:	
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MBE / WBE:	
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Related Items:	
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Additional Backup Information

Approval of this item will authorize the Austin Housing Finance Corporation (AHFC) to negotiate and execute a loan to the Chestnut Neighborhood Revitalization Corporation (CNRC) for the acquisition of six properties at 13th and Chicon Streets for a mixed-use development which would include no fewer than 33 units of affordable ownership housing.

Funding Request

- The \$1,375,268 requested will fund the acquisition of the properties and soft costs related to the development. The loan is requested to be forgivable so that the sales prices of the ownership units would be affordable to low- to moderate-income buyers. In addition, CNRC intends to put the property in a Community Land Trust to ensure permanent affordability.
- If funding is approved, AHFC funds will represent \$41,675 per housing unit. The funding request for

property acquisition amounts to 27 percent of the total project cost. The proposed funding sources are G.O. Bond funds (\$1,081,610) and HOME funds (\$293,658).

- The request is consistent with the City of Austin’s currently approved Consolidated Plan and the AHFC’s strategy to provide assistance through below market-rate financing for the development of affordable rental housing for low- and moderate-income households and persons with special needs.

Estimated sources and uses of funds for the project are as follows:

<u>Sources:</u>		<u>Uses:</u>	
AHFC Funding	\$1,375,268	Acquisition	\$1,051,110
Private Loan	2,377,967	Hard Costs	3,201,294
Proposed Future AHFC Funding	1,265,000	Soft & Carrying Costs	<u>795,831</u>
CHDO Pre-development Loan	<u>30,000</u>	TOTAL	\$5,048,235
TOTAL	\$5,048,235		

Project Characteristics

- The Chicon Corridor Project is located on six properties on Chicon Street and 13th and 14th Streets. The six properties to be purchased will be redeveloped into a mixed-use, mixed-income development with ground-floor retail/office space and two to three stories of housing above. Because the six properties are not contiguous, the development will take place on three separate sites.
- The homes will be new construction; attached ownership units built to S.M.A.R.T. Housing™ standards and will be designed to achieve a three-star Austin Energy Green Building rating. The units to be constructed will have 1, 2, or 3 bedrooms and range in size from approximately 650 square feet to 1,200 square feet. If it is determined feasible to construct more than 33 units, the additional units will be offered at the market rate.
- The homes will be sold by CNRC under a Shared Equity or Community Land Trust ownership model that will be managed by the non-profit organization, PeopleTrust, to ensure long-term affordability. The sales prices will range from approximately \$114,000 to \$210,000. AHFC’s purchase of the property will translate into a direct subsidy to each buyer that will be secured by a second lien note which reduces the amount of the first lien mortgage, thus making the home affordable to low- and moderate-income buyers. The shared equity second lien note, plus contributions from the buyer at closing, will reduce the amount of the buyer’s first lien mortgage to a more affordable range of \$100,000 to \$150,000, depending on the size of unit purchased and the buyer’s income.
- Upon resale, CNRC will recover the amount of the second lien note plus receive a proportionate share of the increase in the home’s value, if any. CNRC will use these funds to make the home affordable to the next buyer.

Neighborhood support

AHFC has received letters of support for the Chicon Corridor project from:

- The Davis-Thompson Neighborhood Association
- The Rosewood Neighborhood Plan Contact Team
- The Chestnut Neighborhood Plan Contact Team
- A neighbor living next door to one of the properties proposed to be acquired.

Population Served

The homebuyers will be made available to households with incomes at or below 80 percent of the Median Family Income, with some units being targeted toward households with incomes at or below 65 percent MFI.

The Applicant

CNRC is a 501(c) (3) non-profit community-based development corporation established in 1998 to address

affordable housing and community development needs in the Chestnut Neighborhood and surrounding areas. CNRC has built and sold affordable single-family homes and most recently completed the award-winning Franklin Gardens 22-unit senior development located at E.M. Franklin and MLK Boulevards.